Canadian Northern Economic Development Agency

Quarterly Financial Report

For the quarter ended June 30, 2012

Introduction

This quarterly report has been prepared by management as required by section 65.1 of the *Financial Administration Act* and in the form and manner prescribed by the Treasury Board. This quarterly report should be read in conjunction with the Main Estimates, as well as, Canada's Economic Action Plan 2012 (Budget 2012).

The Canadian Northern Economic Development Agency (CanNor) works to create a diversified, sustainable and dynamic economy across Canada's three territories, which contributes to the nation's prosperity. CanNor fosters growth and development in the North by delivering economic and community development programs and by aligning the efforts of partners and stakeholders to respond to economic opportunities and challenges in the North.

Further details on CanNor's authorities, mandate and program activities may be found in the Report on Plans and Priorities at: http://www.tbs-sct.gc.ca/rpp/2012-2013/inst/ned/ned00-eng.asp, and in the Main Estimates (Part II) http://www.tbs-sct.gc.ca/est-pre/20122013/me-bpd/docs/me-bpd-eng.pdf.

Basis of Presentation

This quarterly report has been prepared by management using an expenditure basis of accounting. The accompanying Statement of Authorities includes the Canadian Northern Economic Development Agency's spending authorities granted by Parliament and those used by the department consistent with the Main Estimates and Supplementary Estimates "A" for the 2012-2013 fiscal year. The authority of Parliament is required before moneys can be spent by the Government. Approvals are given in the form of annually approved limits through appropriation acts or through legislation in the form of statutory spending authority for specific purposes.

As part of the Parliamentary business of supply, the Main Estimates must be tabled in Parliament on or before March 1 preceding the new fiscal year. Budget 2012 was tabled in Parliament on March 29, 2012 after tabling of the Main Estimates on February 28, 2012. As a result the measures announced in the Budget 2012 could not be reflected in the 2012-13 Main Estimates.

In fiscal year 2012-2013, frozen allotments will be established by Treasury Board authority in departmental votes to prohibit the spending of funds already identified as savings measures in Budget 2012. In future years, the changes to departmental authorities will be implemented through the Annual Reference Level Update, as approved by Treasury Board, and reflected in the subsequent Main Estimates tabled in Parliament.

This quarterly report has been prepared using a special purpose financial reporting framework designed to meet financial information needs with respect to the use of spending authorities.

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As part of the departmental performance reporting process, the Canadian Northern Economic Development Agency prepares its annual departmental financial statements on a full accrual basis in accordance with Treasury Board accounting policies, which are based on Canadian generally accepted accounting principles for the public sector. However, the spending authorities voted by Parliament remain on an expenditure basis.

Highlights of fiscal quarter and fiscal year to date (YTD) results

Statement of Authorities

As at June 30, 2012, total authorities available for the fiscal year 2012-13 amounted to $51.1M which is an overall increase of $6.9M from the last fiscal year 2011-2012 available amount of $44.2M.

Most of the $6.9M increase related to program operating ($283K) and contributions funding ($6.6M) for the Northern Adult Basic Education Program (NABE).

The authorities used during the first quarter of the 2012-13 have increased by $957K compared to the first quarter of 2011-12. This can be attributed mostly to earlier payments of contributions ($641K) and timing differences in the payments of operating expenditures.

Statement of Departmental Budgetary Expenditures by Standard Object

Compared to the previous year, total net budgetary expenditures recorded in the quarter ending June 30, 2012 increased by $957K, from $2.4 million to $3.3 million. This net increase is mainly attributable to earlier disbursements related to transfer payments ($641K) and higher domestic travel costs and vacation travel allowance costs included in the transportation and communication line item.

Risks and Uncertainties

This Departmental Quarterly Financial Report (QFR) reflects the results of the current fiscal period in relation to the Main Estimates and Supplementary Estimates "A" for which full supply was released on June 6, 2012.

Budget 2010 announced that the operating budgets of departments and agencies would be frozen at their 2010-11 levels for the fiscal years 2011-12 and 2012-13. The Agency has taken several measures via savings and efficiency gains to address reductions in order to effectively manage financial and human resources within the context of the operating budget constraint.

CanNor delivers on its mandate in a complex environment. Economic development in the North needs to deal with the exigencies of the climate, remote communities, sparse population, dependence on natural resource extraction and associated challenges, such as underdeveloped infrastructure. The North also represents an area of immense opportunity with significant resource development projects underway and a strong contribution to Canada's gross domestic product.

CanNor has identified the following six key risk areas in the 2012-2013 Reports on Plans and Priorities:

- Operational environment
- Human and knowledge capital
- Alignment with priorities and needs
- Relationship with clients, partners and stakeholders
- Public communications
- Legal, statutory and land claims

Further details on these risks and how CanNor plans to manage and mitigate the risks can be found in the Report on Plans and Priorities for the Agency. CanNor monitors expenditures and carries out business planning to ensure that financial risks are mitigated and that program delivery is optimized. Efforts are underway to step up the pace of project review and disbursements of contribution programs in order to reduce the risk of year end lapses.

Budget 2012 Implementation

This section provides an overview of the savings measures announced in Budget 2012 that will be implemented in order to operate government as efficiently as possible.

While identifying savings in CanNor, the priority was to focus on modernizing operations while improving efficiency and effectiveness as an organization to help the Agency better serve the North. The Agency achieved this goal by finding the majority of its $2.4 million in savings by getting rid of excess office space, reducing overlap and duplication, and implementing more efficient business processes. These changes will allow CanNor to have sustainable programs that support economic growth and meet the needs of the North for the long term.

In the first year of implementation (2012-2013), the Agency will achieve savings of approximately $0.2 million, by releasing office space to match its accommodation needs. Savings will increase to $2.4 million in 2013-2014 and will result in ongoing savings of $2.4 million in future years.

Significant changes in relation to operations, personnel and programs

Reductions in CanNor's operating budget for 2012-13, totalling $296K, for amounts transferred to Shared Services Canada ($280K) and PWGSC ($16K) for services provided to Cannor related to informatics services and compensation services respectively are included in the statement of authorities.

Approved by:

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Patrick Borbey
President
Ottawa, Canada
August 10, 2012

Yves Robineau
Chief Financial Officer

STATEMENT OF AUTHORITIES
(unaudited)

(In thousands of dollars)	Fiscal year 2012-2013			Fiscal year 2011-2012		
	Total available for use for the year ending March 31, 2013* **	Used during the quarter ended June 30, 2012	Year to date used at quarter-end	Total available for use for the year ending March 31, 2012*	Used during the quarter ended June 30, 2011	Year to date used at quarter-end
Vote 30 – Net Operating	13,301	2,398	2,398	12,936	1,981	1,981
Vote 35 – Transfer payments	36,662	741	741	30,057	100	100
Budgetary statutory authorities	1,172	195	195	1,186	296	296
Total Budgetary authorities	**51,135**	**3,334**	**3,334**	**44,179**	**2,377**	**2,377**
Non-budgetary authorities	0	0	0	0	0	0
Total authorities	51,135	3,334	3,334	44,179	2,377	2,377

* *Includes only Authorities available for use and granted by Parliament at quarter-end.*
** *Total available for use does not reflect measures announced in Budget 2012.*

Departmental budgetary expenditures by Standard Object (unaudited)

(In thousands of dollars)	Fiscal year 2012-2013			Fiscal year 2011-2012		
	Planned expenditures for the year ending March 31, 2013*	Used during the quarter ended June 30, 2012	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2012	Used during the quarter ended June 30, 2011	Year to date used at quarter-end
Expenditures:						
Personnel	7,821	2,220	2,220	7,774	2,169	2,169
Transportation and communications	2,002	322	322	1,624	100	100
Information	300	1	1	32	0	0
Professional and special services	2,000	45	45	1,636	6	6
Rentals	1,350	2	2	894	1	1
Repair and maintenance	50	0	0	2	0	0
Utilities, materials and supplies	200	3	3	196	1	1
Acquisition of land, buildings and works	450	0	0	989	0	0
Acquisition of machinery and equipment	200	0	0	338	0	0
Transfer payments	36,662	741	741	30,057	100	100
Public Debt Charges	0	0	0	0	0	0
Other subsidies and payments	100	0	0	637	0	0
Total budgetary expenditures	51,135	3,334	3,334	44,179	2,377	2,377

* *Planned expenditures do not reflect measures announced in Budget 2012*